



OFFICE OF
**INSPECTOR
GENERAL**
UNITED STATES POSTAL SERVICE

**Overtime Use During
Fiscal Years 2011 and 2012**

Audit Report

July 5, 2013

Report Number HR-AR-13-002



OFFICE OF
**INSPECTOR
GENERAL**
UNITED STATES POSTAL SERVICE

HIGHLIGHTS

July 5, 2013

Overtime Use During Fiscal Years 2011 and 2012

Report Number HR-AR-13-002

BACKGROUND:

The U.S. Postal Service has launched various initiatives to address its financial challenges, many resulting in workforce changes that have contributed to increased overtime workhours. The Postal Service uses overtime workhours to provide flexibility and meet its operational requirements without having to increase overall staffing levels. Management has set a target rate for overtime hours of about 5 percent. We initiated this audit in response to a request from the postmaster general. Our objectives were to determine the reasons for significant overtime use and assess how management uses the time and attendance collection system to manage overtime.

WHAT THE OIG FOUND:

Overtime hours accounted for 7.4 and 7.8 percent of total workhours in fiscal years (FY) 2011 and 2012, respectively. This rate is well above the Postal Service's target rate of 5 percent. We reviewed overtime use in three districts with the highest rates over the past 5 years and one district where employees received the highest overtime dollars and determined the Postal Service incurred significant overtime workhour use because management did not always align workforce to workload or provide adequate supervisory oversight. In FY 2012, the Postal Service paid seven mail handlers at one facility

between \$65,000 and \$76,000 each for overtime workhours, which more than doubled their salaries. Also, we found mail did not always arrive at delivery units timely, resulting in carriers waiting to begin their work and having to use overtime to complete deliveries. We estimated the Postal Service paid \$2,312,303 in FY 2011 and \$4,450,003 in FY 2012 for overtime associated with late trips in three of the four districts we visited. Further, an agreement between the Postal Service and a local union in the Houston District resulted in increased overtime costs. In addition, although the time and attendance collection system did not send automatic alerts, managers and supervisors at the facilities we visited used system reports to monitor workhours, overtime hours, and unauthorized overtime use.

WHAT THE OIG RECOMMENDED:

We recommended management: establish a plan to address staffing vacancies and better align the workforce to workload, require officials at identified mail processing facilities and delivery units to implement plans to better align mail arrival times and carrier schedules, require supervisors to monitor carrier workload and conduct street supervision, and pursue changes to local agreements in the Houston District.

[Link to review the entire report](#)



July 5, 2013

MEMORANDUM FOR: EDWARD F. PHELAN, JR.
VICE PRESIDENT, DELIVERY AND POST OFFICE
OPERATIONS

DOUGLAS A. TULINO
VICE PRESIDENT, LABOR RELATIONS

DAVID E. WILLIAMS, JR.
VICE PRESIDENT, NETWORK OPERATIONS

E-Signed by Lorie Nelson
VERIFY authenticity with eSign Desktop
Lorie Nelson

FROM:

for
Deputy Assistant Inspector General
for Support Operations

SUBJECT: Audit Report – Overtime Use During Fiscal Years 2011 and
2012 (Report Number HR-AR-13-002)

This report presents the results of our audit of Overtime Use During Fiscal Years 2011 and 2012 (Project Number 12YG040HR000).

We appreciate the cooperation and courtesies provided by your staff. If you have any questions or need additional information, please contact Andrea Deadwyler, deputy director, Human Resources and Security, or me at 703-248-2100.

Attachment

cc: Megan J. Brennan
Jeffrey C. Williamson
Timothy F. O'Reilly
Sean Lacey
Vice Presidents, Area Operations
Corporate Audit and Response Management

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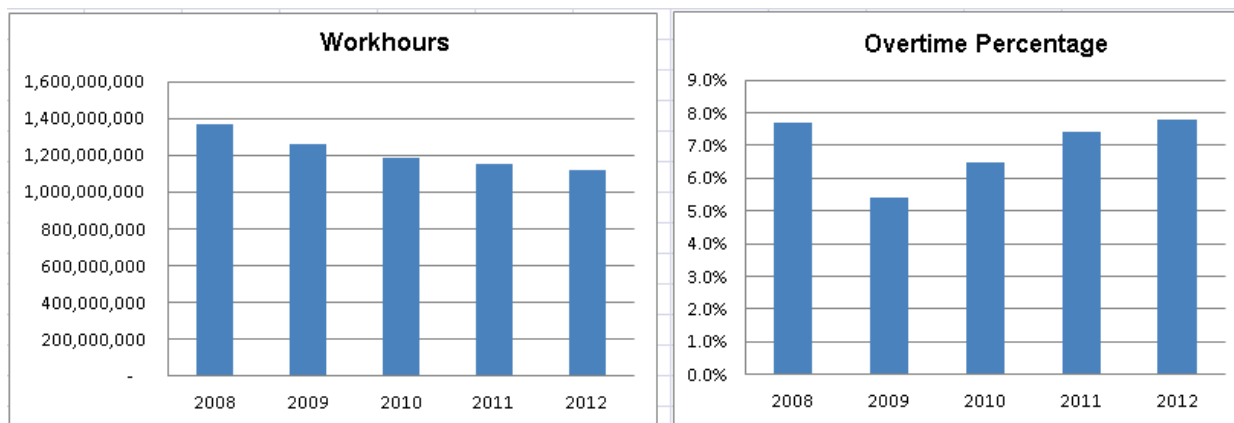
Introduction

This report presents the results of our audit of Overtime Use During Fiscal Years (FY) 2011 and 2012 (Project Number 12YG040HR000). The report responds to a request from the postmaster general and addresses financial and operational risk. Our objectives were to determine the reasons for significant overtime workhour use and assess how management uses the Time and Attendance Collection System (TACS) to manage overtime.

The U.S. Postal Service uses overtime workhours to provide flexibility and meet its operational requirements efficiently without having to increase its overall staffing complement. Management has set a target rate for overtime use of about 5 percent.

The Postal Service has launched various initiatives to address its financial challenges, many resulting in workforce changes. Although overtime rates at some facilities were high prior to these efforts, workforce changes contributed to increased overtime workhours as a percentage of total workhours. As shown in Table 1, the Postal Service has reduced total workhours by 18 percent from FY 2008 to FY 2012, resulting in workhour savings of over \$3 billion in FY 2012. The Postal Service reduced overtime costs from \$3.73 billion in FY 2008 to \$3.53 billion in FY 2012. However, after a significant decrease in FY 2009, the overtime percentage has increased in each of the last 3 fiscal years.

Table 1. Workhours and Overtime Percentage



Source: FY 2012 Form 10-K Financial Report.

Source: National Payroll Hourly Summary reports.

The Postal Service paid overtime costs totaling \$3.53 billion in FY 2012, compared to \$3.31 billion in FY 2011, \$2.96 billion in FY 2010, and \$2.52 billion in FY 2009. See [Appendix A](#) for additional information about this audit.

Conclusion

Overtime hours accounted for 7.4 and 7.8 percent of total workhours in FYs 2011 and 2012, respectively — well above the Postal Service's target rate of 5 percent. At the locations we visited, we determined the Postal Service incurred significant overtime workhour use primarily because the workforce was not aligned with workload, there was inadequate supervisory oversight; mail arrived late at the delivery units, and a union agreement was negotiated at the local level. In addition, although TACS did not send automatic alerts, Postal Service managers and supervisors at the facilities we visited used TACS reports to monitor workhours, overtime hours, and unauthorized overtime use.

We identified 65,553 and 122,765 stand-by hours¹ in FYs 2011 and 2012, respectively, for three of the four districts² we visited, at a cost to the Postal Service of \$7,513,674. We estimate that 90 percent of these costs are associated with late trips³ for \$6,762,306 (\$2,312,303 for FY 2011 and \$4,450,003 for FY 2012). See [Appendix B](#) for our calculation of monetary impact.

Workforce Alignment

Management did not always ensure that workforce aligned with the workload. We found that certain facilities in the Houston, Chicago, South Florida, and Hawkeye districts experienced significant mail volume changes due to consolidations and network optimization efforts. However, management did not always ensure that staffing was commensurate with the increased workload. In addition, management did not replace employees lost to attrition due to a hiring freeze. For example:

- In FY 2009, the Postal Service consolidated several operations into the South Florida Logistics & Distribution Center (L&DC). However, according to district management, the South Florida L&DC remained understaffed and used overtime to meet service standards.⁴ Management at the South Florida L&DC stated that they did not fill vacant positions because they wanted to ensure enough positions were available for career employees impacted by other facility closings and consolidations in the district. They did enter into multiple agreements with the National Postal Mail Handlers Union to employ noncareer employees in excess of the 12.5 percent specified in the national agreement to help preserve service standards and reduce overtime.
- Beginning in FY 2009, Postal Service Headquarters converted bulk mail centers across the country into 21 network distribution centers (NDC) to improve efficiency.

¹ Hours recorded when there is insufficient work available. Normally used for unplanned, low work volume periods on a particular day or days, or unplanned events such as late mail delivery.

² South Florida, Houston, and Chicago.

³ To designate the time, schedule, mode of transportation (such as air, highway, or rail) and the line of travel to be used in dispatching mail from a postal unit or transportation unit.

⁴ Service standards represent the level of service that the Postal Service strives to provide customers. These standards are considered to be one of the agency's primary operational goals.

As part of the transition, mail volume at the Des Moines NDC increased by 91 percent.⁵ Western Area and Hawkeye District officials negotiated staffing targets for the Des Moines NDC, which increased the complement by 94 percent, from 168 to 326. Still, of the 21 NDCs, the Des Moines NDC incurred the highest overtime rate in FYs 2011 and 2012 (18.1 and 21 percent, respectively). Management stated that the facility used overtime at a rate of about 22 percent of total workhours to meet service standards. As shown in Table 2, in FY 2012, the Postal Service paid seven mail handlers at that facility between \$65,000 and \$76,000 each for overtime workhours, representing between 145 and 159 percent of their regular salaries.

Table 2. Mail Handler Overtime at Des Moines NDC

Mail Handler	FY 2012 Salary	Overtime	Total Compensation	Percentage of Overtime Dollars to Salary*
1	\$47,378	\$75,460	\$122,838	159%
2	\$46,472	\$73,418	\$119,890	158%
3	\$44,871	\$69,445	\$114,315	155%
4	\$44,383	\$68,464	\$112,847	154%
5	\$46,338	\$68,369	\$114,707	148%
6	\$46,439	\$67,287	\$113,726	145%
7	\$44,320	\$65,006	\$109,326	147%

*Rounded.

Source: Postal Service Payroll System.

Management at the Des Moines NDC indicated these individuals incurred high overtime workhours because the NDC has been significantly understaffed since the conversion in 2009. However, we noted that some individuals who incurred high overtime in FY 2012 also incurred high overtime in prior years as well.⁶ According to the area operations support manager, they are coordinating with district officials to develop a complement plan to support the workload at the Des Moines NDC.

- As part of ongoing optimization efforts, management moved certain operations performed at the Chicago Processing and Distribution Center (P&DC) to other locations. Accordingly, 214 clerks were excessed⁷ and moved to new locations, replacing the lowest-seniority clerks throughout the district with higher seniority clerks from the Chicago P&DC. However, these clerks did not know the addresses associated with each route at their new locations. District personnel hired Postal

⁵ Management at the Des Moines NDC also stated that the shortage of mail handlers was intensified because a towline system that automatically moved mail throughout the building was inoperable for about 18 months, resulting in the need for additional mail handlers.

⁶ Ten individuals who incurred the highest overtime in 2012 were in the Hawkeye District – seven of whom were at the Des Moines NDC. Four of the 10 incurred high overtime prior to the conversion.

⁷ Term used to describe a situation in which the number of employees in a section, craft, or installation needs to be reduced more rapidly than can be done through attrition.

Support Employees (PSE)⁸ to address the issue but stated that overtime was still necessary to meet service standards.

- Four delivery units⁹ we visited in the Houston District had a shortage of letter carriers. Supervisors stated that they used overtime to cover vacant routes because they were not able to hire new employees due to the hiring freeze. The overtime rates ranged from 16 to 22 percent in FY 2011 and from 21 to 28 percent in FY 2012. Table 3 shows the number of carriers needed, the number assigned, and the deficiency at the four locations.

Table 3. Houston District Complement

Location	Carriers Needed	Carriers Assigned	Difference
Oak Forest	96	90	6
North Shepherd	133	119	14
Westbury	70	61	9
De Moss	99	89	10

Source: webCoins.¹⁰

Management could not locate staffing plans for the South Florida L&DC and the Des Moines NDC because significant time has elapsed since the staffing plans were developed and the U.S. Postal Service Office of Inspector General (OIG) review took place. Therefore, we could not validate planned workload and workhours for those locations and could not determine whether the overtime levels incurred at the facilities we visited were planned or reasonable.

A senior Labor Relations management official stated that over the past several years, the Postal Service has had numerous events related to network optimization that has required them to withhold vacant bargaining unit positions for placement of impacted career employees pursuant to their contractual obligations. This typically results in using overtime as a temporary staffing solution to cover the shortage caused by not filling positions.

When the workforce is not adequately aligned to the workload, overtime rates often remain high to ensure the Postal Service meets service standards.

Supervisory Oversight

Supervisors in the Chicago District did not provide adequate oversight to ensure that carriers were scheduled and overtime was minimized.

⁸ Non-career, bargaining unit employees hired for a term not to exceed 360 calendar days, followed by a 5-day break in service and potential not to exceed 360 day reappointment if there is still an operational need.

⁹ Oak Forest, North Shepherd, Westbury, and De Moss Stations.

¹⁰ Computer application designed to give local management timely and accurate complement information.

Specifically:

- The City Delivery Pivot Opportunity Model identified an average of 18 routes at the [REDACTED] Station that should have been pivoted daily; however, supervisors did not take advantage of pivot opportunities. Pivoting involves dividing routes so that several carriers can do a section of the route, after completing their own route. Several management officials in the Chicago District stated that pivoting opportunities diminished because of frequent late trips from the processing plants (see the Late Trips section of this report).
- Supervisors at three sites¹¹ we visited did not consistently perform street supervision to observe carrier performance on their routes. The Chicago District manager issued a directive in May 2012 requiring supervisors to conduct 2 hours of street supervision each day. According to officials at the [REDACTED] Station, they did not consistently perform the street supervision because other duties, such as delivery operations, mail distribution, and customer care took precedence.

Postal Service City Delivery Standard Operating Procedures state that the delivery unit supervisor's primary responsibility is to match workhours to workload. This responsibility includes assessing unit workload and the validity of carrier overtime, determining individual carrier assignments based on workload, conducting street supervision to observe carrier performance on their routes, addressing unauthorized overtime, and conducting performance discussions with carriers.¹² When supervisors do not provide adequate supervision and align workforce to workload, the Postal Service incurs unnecessary overtime.

Late Trips

Eight units¹³ we visited did not always receive mail timely from the processing plants and, as a result, management placed carriers on stand-by time until mail was received. Since actual delivery times vary and carrier start-time changes greater than 1 hour require job re-posting, it is not practical to revise carrier start times. When this happens, carriers leave their stations later than scheduled and often incur overtime to complete their routes. For example:

- The Houston District finance manager stated that the primary cause of stand-by time for letter carriers was late mail arrival from the processing facilities.
- Chicago managers stated that the mail was frequently delivered up to 2 hours after the scheduled delivery time, causing them to place carriers on stand-by time. The senior plant manager for the Chicago P&DC, which processes the mail for five of the facilities, stated that the plant often receives late mail from the South Suburban and

¹¹ [REDACTED] stations.

¹² City Delivery Standard Operating Procedures.

¹³ Fort Dearborn, Roberto Clemente, and Cragin stations; the Central Carrier Annex; and the Miami-Olympia Heights, Miami-Norland, Hollywood Main, and Miami Country Lakes branches.

Carol Stream facilities and, once received, plant personnel must sort it to carrier routes prior to sending it to the delivery units. The senior plant manager contacted the area vice president on September 20, 2012 regarding the issue and they are currently investigating methods to improve efficiency so that mail can be dispatched to the delivery units on time.

- Officials at all the delivery units¹⁴ we visited in the South Florida District stated that they frequently receive mail late from the plants. For example, at the Miami-Norland Branch facility, Priority Mail can arrive up to 4 hours late. In addition, mail from the processing plant was often sent to the facilities without being processed, resulting in additional delays while personnel sort the mail. Figure 1 shows an example of a mail tag that was attached to unprocessed mail sent to the delivery unit. A senior plant manager stated that the facility did not have an adequate number of mail handlers, which resulted in late dispatches.

Figure 1. Unprocessed Mail Tag



Source: OIG photograph taken at the Miami-Olympia Heights Branch facility on November 27, 2012.

We identified 65,553 and 122,765 stand-by hours for Function 2¹⁵ employees in FYs 2011 and 2012, respectively, for three districts we visited, at a cost to the Postal Service of about \$7.5 million. We estimated that 90 percent of these costs are associated with late trips in the amount of \$6,762,306 (\$2,312,303 for FY 2011 and \$4,450,003 for FY 2012).

¹⁴ Miami-Norland, Miami Country Lakes, Miami-Olympia Heights, and Hollywood Main branches.

¹⁵ Delivery Services workhours.

Local Agreement

An agreement between the Postal Service and the local National Association of Letter Carriers (NALC) union in the Houston District resulted in increased overtime costs. National bargaining unit agreements allow local unions to negotiate their own agreements for limited issues. These issues include scheduling for leave, days off, holidays, and overtime.¹⁶ In FY 1993, the Houston District entered into an indefinite agreement with the local NALC that requires the Postal Service to pay letter carriers \$10 per hour for any time worked after 5:15 p.m., in addition to regular or overtime pay.

The Postal Service paid \$1.78 million and \$1.56 million in FYs 2011 and 2012, respectively, for grievance settlements relating to the 'after 5:15 p.m.' agreement. In 2012, 2,683 employees received this 'after 5:15 p.m.' payout, at an average of \$581 per employee. The highest individual payout was \$3,238 in 2012, and 550 employees received payouts of more than \$1,000. See Table 4 for a summary of the payments.

Table 4. Payments for Overtime Related Grievances

Fiscal Year	After 5:15 p.m. Costs
2010	\$1.28 million
2011	\$1.78 million
2012	\$1.56 million

Source: Houston District, Labor Relations.

Time and Attendance Collection System

TACS did not provide automatic alerts to supervisors regarding overtime use, but information was available to assist managers and supervisors in controlling overtime. A senior Postal Service official stated that TACS is a timekeeping database and was not designed for this purpose. However, Postal Service managers and supervisors at the facilities we visited had access to TACS and TACS-generated reports such as:

- *Employees on the Clock*, which displays all employees on long-term higher level details.
- *Overtime Alert*, which lists employees in overtime status for the week and individuals approaching overtime for the week.
- *Unauthorized Overtime*, which lists employees with overtime worked that exceeds the amount of overtime authorized.

¹⁶ Handbook EL-901, *Agreement between the United States Postal Service and the National Association of Letter Carriers*.

They used these reports to monitor workhours, overtime hours, and unauthorized overtime use. In addition, the respective area or district offices periodically provided TACS information to the managers and supervisors to assist them in managing their operations. However, we determined that, although managers and supervisors at the locations we visited had access to reports from TACS, they still incurred a high number of overtime workhours due to the issues we identified in this report.

Recommendations

We recommend the vice presidents, Delivery and Post Office Operations and Network Operations:

1. Require responsible management officials to conduct complement analyses and establish staffing plans for the Houston, Chicago, South Florida, and Hawkeye districts to better align the workforce to the workload.
2. Require responsible officials at identified mail processing facilities and delivery units to implement a plan to ensure mail arrival times and carrier schedules are aligned to minimize stand-by time and associated overtime (see the [Late Trips](#) section of this report for specific locations).

We recommend the vice president, Delivery and Post Office Operations:

3. Implement controls to ensure supervisors at the Fort Dearborn, Roberto Clemente, and Cragin stations take advantage of pivot opportunities and conduct street supervision of carriers.

We recommend the vice presidents, Labor Relations and Delivery and Post Office Operations:

4. Pursue changes to local agreements in the Houston District associated with strict rotation and the requirement for the Postal Service to pay letter carriers an additional \$10 per hour for any hour they work after 5:15 p.m.

Management's Comments

Management agreed with all of the recommendations but disagreed with the monetary impact. Management indicated that some statements in the report do not reflect overall Postal Service conditions. Specifically, the audit had a limited sampling of facilities that are not representative of the country as a whole and also have the highest overtime rates. They stated that a general theme throughout the report was that the Postal Service's workforce is not aligned with the workload and that the OIG fails to understand an organization in transition. They acknowledged that during transitional activities, including those successfully undertaken in the past 2 years, there are periods where the workforce does not align to workload and overtime will increase. However, they advised the key is workhours and showed the reduction by function since FY 2010.

Management also stated that while contractual provisions and the reduction in workforce statute that govern the movement of employees in the Postal Service cause temporary staffing imbalances, they result in future efficiencies.

Regarding recommendation 1, management stated they will conduct complement analyses and establish staffing plans for the Houston, Chicago, South Florida, and Hawkeye districts by February 2014.

Regarding recommendation 2, management stated they will review and monitor mail arrival times and carrier schedules and will align carrier start time and truck schedules to minimize stand-by time by February 2014.

Regarding recommendation 3, management stated they will implement controls to ensure supervisors at the Fort Dearborn, Roberto Clemente, and Cragin stations take advantage of pivot opportunities and conduct street supervisions of carriers by September 2013.

Regarding recommendation 4, management stated their new employee classification (city carrier associate) will help the Houston District reduce city delivery overtime costs. Delivery Operations and Labor Relations personnel will also engage the union to address difficulties caused by locally developed agreements and district Labor Relations personnel will provide training on overtime scheduling procedures to managers and supervisors by February 2014.

Regarding the \$6.7 million in funds put to better use, management disagreed with the methodology because it assumes that 90 percent of all carrier stand-by hours translates to overtime hours. Management stated they use stand-by hours for a variety of circumstances, including documentation of instances when a carrier has less than 8 hours of work; and that not every stand-by hour translates to an overtime hour. See [Appendix C](#) for management's comments, in their entirety.

Evaluation of Management's Comments

The OIG considers management's comments responsive to the recommendations and corrective actions should resolve the issues identified in the report.

Regarding workforce alignment and resources that govern employee movement, we acknowledge management's transitional activities and that they may result in increased overtime. However, we continue to believe, based on the locations visited, that management could implement procedures and improve planning to better align the workforce to workload to reduce overtime over the long term.

Regarding the \$6.7 million in funds put to better use, we recognize there are other legitimate reasons for using stand-by time. However, management could not provide a breakdown of stand-by costs by reason. As such, we estimated that at least 90 percent

of total stand-by hours resulted from late trips based in part on information we obtained from management at the locations we visited.

The OIG considers all the recommendations significant and, therefore, requires OIG concurrence before closure. Consequently, the OIG requests written confirmation when corrective actions are completed. These recommendations should not be closed in the Postal Service's follow-up tracking system until the OIG provides written confirmation that the recommendations can be closed.

Appendix A: Additional Information

Background

The Postal Service has launched various initiatives to address its financial challenges, many resulting in workforce changes. For example, in FY 2011, the postmaster general and chief executive officer, announced efficiency improvements, including:

- Decreasing the number of headquarters management positions.
- Reducing the number of area and district offices.
- Reducing the number of administrative, executive, and postmaster positions by about 7,500.
- Offering both voluntary and incentivized retirement to employees who qualify under current rules for retirement incentives.

In addition, on May 17, 2012, the Postal Service announced a phased plan to consolidate its network of 461 mail processing locations. The first phase will result in about 146 consolidations through FY 2013. Unless the Postal Service's circumstances change, a second phase of 114 consolidations is scheduled to begin in February 2014. When fully implemented, the consolidations are expected to reduce costs by \$2.1 billion annually.

The Postal Service has also reduced staffing levels by more than 100,000 career employees and projects a further reduction of the equivalent of 155,000 full-time career employees by FY 2016. As of September 30, 2012, the Postal Service had about 528,000 career employees and 101,000 noncareer employees.

These workforce changes contributed to increased overtime¹⁷ workhours as a percentage of total workhours. However, increased use of noncareer employees, including PSEs and city carrier assistants (CCA)¹⁸ may reduce overtime. These noncareer employees will make up about 20 percent of the workforce.

Overtime workhours are a significant cost to the Postal Service annually. While management has reduced total workhours to compensate for the reduced volume, overtime workhours as a percentage of total workhours has increased in each of the last 3 fiscal years. Overtime hours accounted for 7.4 and 7.8 percent of total workhours in

¹⁷ Overtime is a premium paid to eligible employees for work performed after 8 paid hours in any 1 service day, or 40 paid workhours in any 1 service week. The Fair Labor Standards Act (FLSA) requires payment of overtime wages to employees who work in excess of 40 hours in an FLSA work week.

¹⁸ CCAs are hired for a term not to exceed 360 calendar days for each appointment. The appointment must be exactly 360 days if the employee is being rehired as a CCA. CCAs have a break in service of exactly 5 days.

FYs 2011 and 2012, respectively — well above the Postal Service's planned rate of 5 percent. The Postal Service paid overtime costs totaling \$3.53 billion in FY 2012, compared to \$3.31 billion in FY 2011 and \$2.96 billion in FY 2010.

Objectives, Scope, and Methodology

Our objectives were to determine the reasons for significant overtime use and assess how supervisors use TACS to manage overtime. To accomplish our objective, we:

- Identified, reviewed, and documented the Postal Service's overtime procedures.¹⁹
- Reviewed contracts between the Postal Service and the labor unions for overtime processes.
- Identified districts with the highest rates of overtime over the past 5 years (Chicago, Philadelphia, Triboro, South Florida, and Houston).
- Judgmentally selected eight facilities from the Houston District, six facilities from the Chicago District, and six facilities from the South Florida District for field review because of high overtime workhour use in those districts.²⁰
- Selected three facilities from the Hawkeye District for review where 10 of the 20 highest paid craft employees for FYs 2011 and 2012 are employed to determine the reasons for the overtime use (see [Table 5](#) for the list of facilities visited).
- Interviewed managers and other district personnel in the Chicago, South Florida, Hawkeye, and Houston districts to determine the causes of increased overtime and how they monitored and controlled overtime.
- Interviewed managers and supervisors at each of the 23 facilities (see [Table 5](#)) to determine the need for overtime, the process for approving overtime, and actions management could implement to reduce overtime use.
- Identified and interviewed 10 of the 20 highest paid craft employees for FYs 2011 and 2012 to determine the reasons for their overtime use. The 10 employees worked in the Hawkeye District.

¹⁹ *Employee and Labor Relations Manual*, August 2012.

²⁰ The 20 facilities selected included Function 1 Mail Processing, Function 2 Delivery Operations, Function 3A Vehicle Maintenance and Vehicle Operators, Function 3B Plant and Office Maintenance, and Function 4 Customer Service Operations.

Table 5. Facilities Visited

AREA	PERFORMANCE CLUSTER	FACILITY	CITY, STATE	AREA REVIEWED
Southern	Houston	Cypress Post Office	Cypress, TX	Function 2, Delivery Operations
Southern	Houston	North Houston P&DC	Houston, TX	Function 1, Mail Processing Operations; Function 3B, Plant and Post Office Maintenance
Southern	Houston	De Moss Station	Houston, TX	Function 2, Delivery Operations
Southern	Houston	Westbury Station	Houston, TX	Function 2, Delivery Operation
Southern	Houston	Oak Forest Station	Houston, TX	Function 2, Delivery Operations
Southern	Houston	North Shepherd Station	Houston, TX	Function 2, Delivery Operations
Southern	Houston	Central Vehicle Maintenance Facility	Houston, TX	Function 3A, Vehicle Maintenance and Vehicle Operators
Southern	Houston	North Administrative Office	Houston, TX	Function 4, Customer Service Operations
Great Lakes	Chicago	Chicago P&DC	Chicago, IL	Function 1, Mail Processing Operations
Great Lakes	Chicago	Central Carrier Annex	Chicago, IL	Function 2, Delivery Operations
Great Lakes	Chicago	Fort Dearborn Station	Chicago, IL	Function 2, Delivery Operations
Great Lakes	Chicago	Roberto Clemente Station	Chicago, IL	Function 2, Delivery Operations; Function 4, Customer Service Operations
Great Lakes	Chicago	Cragin Station	Chicago, IL	Function 2, Delivery Operations
Great Lakes	Chicago	Morgan Park Station	Chicago, IL	Function 2, Delivery Operations
Southern	South Florida	South Florida L&DC	Opa Locka, FL	Function 1, Mail Processing Operations; Function 3B, Plant and Post Office Maintenance
Southern	South Florida	Fort Lauderdale P&DC	Fort Lauderdale, FL	Function 3A, Vehicle Maintenance and Vehicle Operators
Southern	South Florida	Country Lakes Branch	Miami, FL	Function 2, Delivery Operations; Function 4, Customer Service Operations
Southern	South Florida	Miami-Norland Branch	Miami, FL	Function 2, Delivery Operations
Southern	South Florida	Miami-Olympia Heights	Miami, FL	Function 2, Delivery Operations; Function 4, Customer Service Operations
Southern	South Florida	Hollywood Main Station	Hollywood, FL	Function 2, Delivery Operations; Function 4, Customer Service Operations
Western	Hawkeye	Des Moines NDC	Des Moines, IA	Function 1, Interviewed employees with highest national overtime hours
Western	Hawkeye	Des Moines P&DC	Des Moines, IA	Function 1, Interviewed employees with highest national overtime hours
Western	Hawkeye	Cedar Rapids Post Office	Cedar Rapids, IA	Function 1, Interviewed employees with highest national overtime

Source: OIG data analysis from August 20 through November 29, 2012.

We conducted this performance audit from July 2012 through July 2013 in accordance with generally accepted government auditing standards and included such tests of internal controls as we considered necessary under the circumstances. Those standards require we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. The evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives. We discussed our observations and conclusions with management on April 30, 2013, and included their comments where appropriate.

We tested the reliability of the Enterprise Data Warehouse data and tested eFlash through conversations with Postal Service finance officials knowledgeable of the systems. We determined the data were sufficiently reliable for the purposes of this report.

Prior Audit Coverage

Report Title	Report Number	Final Report Date	Monetary Impact (in millions)
<i>Unauthorized Overtime Usage in Field Operations</i>	HR-AR-12-003	3/30/2012	\$717.5
Report Results: The Postal Service has established procedures to assist supervisors with monitoring and controlling unauthorized overtime. However, managers and supervisors did not always follow the prescribed procedures. Specifically they did not always complete and maintain Postal Service (PS) Form 1017-B, Unauthorized Overtime Record, for employees who incurred unauthorized overtime; provide carriers with feedback when they submitted PS Form 3996, Carrier – Auxiliary Control, to request assistance or overtime; update TACS to reflect authorized overtime; and control employee' access to time cards. As a result, we identified 7.5 million unauthorized overtime workhours in FY 2010 and 10.6 million in FY 2011, at a combined cost of \$717.5 million. Management agreed with the findings, recommendations, and monetary impact.			
<i>Overtime Usage</i>	HR-AR-11-003	3/31/2011	None
Report Results: The Postal Service paid \$2.9 billion in overtime for FY 2010 compared to \$2.4 billion in FY 2009, representing an increase of 17.2 percent. The report also stated that management did not effectively plan for overtime usage as they exceeded their planned overtime hours by 67.8 percent in FY 2010. Management agreed with our findings and recommendations.			

Appendix B: Monetary Impact

Recommendation	Impact Category	Amount
2	Funds Put To Better Use ²¹	\$6,762,306

To determine the monetary impact, we obtained stand-by hours for Function 2 employees for FYs 2011 and 2012 at the three districts we visited. We multiplied these hours by the average hourly overtime rate for each fiscal year. We identified 65,553 stand-by hours in FY 2011 and 122,765 stand-by hours in FY 2012, at a cost to the Postal Service of \$7,513,673. We estimate that 90 percent of these costs are associated with late trips in the amount of \$6,762,306 (\$2,312,303 for FY 2011 and \$4,450,003 for FY 2012).

²¹ Funds that could be used more efficiently by implementing recommended actions.

Appendix C: Management's Comments



June 24, 2013

JUDITH LEONHARDT
Director, Audit Operations

SUBJECT: Draft Audit Report – Overtime Use During Fiscal Years 2011 and
2012 – (Report Number HR-AR-13-DRAFT) dated May 20, 2013

We reviewed the audit performed by the Office of Inspector General on the overtime use during Fiscal Years 2011 and 2012 and we appreciate the opportunity to provide feedback on your findings. Management agrees with the recommendations enumerated in the audit, but some of the statements made in the audit are not reflective of overall conditions at the Postal Service. More specifically this report generalizes the outliers to portray them as reflective of the Postal Service as a whole. Management also does not agree with the monetary impact as reported in this audit.

A general theme throughout this report is that our workforce is not aligned with workload. The OIG completely fails to understand an organization in transition. In the last two years the following activities have been successfully undertaken by the Postal Service.

- The consolidation of mail processing operations at 46 locations during FY 2012 and the announcement of another 229 consolidations currently taking place in FY 2013 through FY 2014.
- The consolidation of 482 delivery units (Delivery Unit Optimization) in FY 2012 and 396 delivery units in FY 2013, which consolidates carrier work locations in local areas to better utilize clerk and management staffs.
- Two separation incentives that were offered in Quarter III of FY 2012. There were 4,275 eligible Postmasters who took the incentive and most separated from the Postal Service July 31, 2012 and another 2,925 Mail Handler employees who took a similar incentive and separated from the Postal Service on August 31, 2012. A third separation incentive and Voluntary Early Retirement (VER) was announced in October 2012 for the APWU represented employees.

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These changes are significant and impact employee schedules and operational staffing requirements. Employees are constantly being retrained and/or moved to new locations in accordance with collective bargaining agreements. In the midst of this activity, the national overtime rate consistently hovers around 7%. As consolidations and realignments occur, there will be periods that workload and workforce are not aligned, the objective is to keep this to a minimum for it cannot be eliminated in the short-term.

In any year where we are doing consolidations, closures, and organizational change, our overtime will go up. The key is to capture the work hours. The Postal Service has eliminated over 60 million work hours from FY 2010 to FY 2012. In FY 2012 alone, work hours decreased by 27 million with a mail volume decline of 5% and an increase of 654,000 delivery points.

Work Hours by Function

<i>(Work hours in thousands)</i>	FY 2012	FY 2011	FY 2010
City Delivery	389,219	399,010	408,488
Mail Processing	210,170	215,221	224,645
Rural Delivery	177,715	177,384	177,152
Customer Service Operations	144,309	150,203	160,621
Postmasters	58,429	59,484	59,609
Other, Including Vehicle Services, Plant Maintenance, Operational Support and Administrative	142,309	147,535	152,432
	1,122,151	1,148,837	1,182,947

FY 2012 10K report

The OIG audit fails to comprehend the rationale behind the contractual provisions and the reduction in force (RIF) statute that govern the movement of employees in the Postal Service. While these provisions cause temporary staffing imbalances, it is for good reason and future efficiencies. By temporarily withholding the filling of vacant positions, we ensure that we have productive landing spots for our employees impacted by a closure, consolidation, or other organizational change event.

The Postal Service does not agree with the monetary impact as specified in this report. The audit assumed that 90% of all standby hours for carriers translate to overtime hours and using an average overtime rate concluded that the Postal Service could have saved over \$6 million. Standby hours are used for a variety of circumstances, including the documentation of instances when a carrier has less than eight hours of work. Not every standby hour translates to an overtime hour.

This audit had a very limited sampling of facilities in Houston (8 facilities), Chicago (6 facilities), South Florida (6 facilities) and Des Moines (3 facilities). These facilities are not representative of the country as a whole and are the sites that register the highest overtime.

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The Postal Service is committed to downsizing its organization in a responsible manner in accordance with national agreements and applicable laws. When we have completed this transition, and have achieved a sustained period of operational stability, overtime rates will decline.

Recommendation 1:

Require responsible management officials to conduct complement analyses and establish staffing plans for the Houston, Chicago, South Florida and Hawkeye districts to better align the workforce to the workload.

Management Response/Action Plan:

Agree. Management will conduct complement analyses and establish staffing plans for Houston, Chicago, South Florida and Hawkeye.

Target Implementation Date:

February 2014

Responsible Official:

Manager, Processing Operations and Manager, Delivery Operations

Recommendation 2:

Require responsible officials at identified mail processing facilities and delivery units to implement a plan to ensure mail arrival times and carrier schedules are aligned to minimize stand-by time and associated overtime (see the Late Trips section of this report for specific locations).

Management Response/Action Plan:

Agree. Management will review and monitor mail arrival times and carrier schedules to minimize stand-by time associated with late truck arrivals. Carrier start time or truck schedules will be aligned to minimize stand-by time.

Target Implementation Date:

February 2014

Responsible Official:

Manager, Logistics
Manager, Processing Operations
Manager, Delivery Operations

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Recommendation 3:

Implement controls to ensure supervisors at the Fort Dearborn, Roberto Clemente and Cragin Stations take advantage of pivot opportunities and conduct street supervision of carriers.

Management Response/Action Plan:

Agree. Management will implement controls to ensure supervisors at the Fort Dearborn, Roberto Clemente and Cragin Stations take advantage of pivot opportunities and conduct street supervision of carriers.

Target Implementation Date:

September 2013

Responsible Official:

Manager, Delivery Operations

Recommendation 4:

Pursue changes to local agreements in the Houston District associated with strict rotation and the requirement for the Postal Service to pay letter carriers an additional \$10 per hour for any hour they work after 5:15pm.

Management Response/Action Plan:

Agree. We expect that our new employee classification (City Carrier Associates) will assist the Houston District in their efforts to reduce city delivery overtime costs. In coordination with Delivery Operations, Labor Relations will engage the union to address difficulties caused by the subject locally developed agreements. This will include, as appropriate, seeking changes through the local implementation procedure outlined in Article 30 of the 2011 USPS/NALC collective bargaining agreement. Additionally, District Labor Relations will provide training on overtime scheduling procedures to managers and supervisors.

Target Implementation Date:

February 2014

Responsible Official:

Manager, Field Labor Relations

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This report and management's response do not contain information that may be exempt from disclosure under the Freedom of Information Act (FOIA).

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David E. Williams
Vice President
Network Operations

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Doug A. Tulino
Vice President
Labor Relations

A black ink signature, appearing to be 'Edward F. Phelan, Jr.', written in a cursive style.

Edward F. Phelan, Jr.
Vice President
Delivery and Post Office Operations

cc: Ms. Brennan
Ms. Borowski
Ms. Schaefer
Ms. Malone
Ms. Hercules